



COMMONWEALTH of VIRGINIA

DEPARTMENT OF ENVIRONMENTAL QUALITY

W. Tayloe Murphy, Jr.
Secretary of Natural Resources

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Robert G. Burnley
Director
(804) 698-4000
1-800-592-5482

March 9, 2004

Ms. Marcia L. Spink, Associate Director
Office of Air Programs (3AP20)
Air Protection Division
U.S. Environmental Protection Agency
Region III
1650 Arch Street
Philadelphia, Pennsylvania 19103-2029

Reference: SIP Revision for Mirant
Mid-Atlantic, LLC, Potomac
River Station

Dear Ms. Spink:

Please find enclosed the notice which is to appear in the affected Air Quality Control Region to consider a proposed revision to the State Implementation Plan.

The notice states that a public hearing will be held on the proposed revision which concerns the control of emissions of nitrogen oxides from the Mirant Mid-Atlantic, LLC, Potomac River Station located in the City of Alexandria, Virginia. The proposed revision is a permit being issued as an administrative mechanism to enforce a control measure set forth in Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004. The hearing will be held on April 12, 2004 in the National Capitol Air Quality Control Region.

Please consider this as formal notice of the hearing pursuant to Section 51.102 of 40 CFR Part 51 (Requirements for Preparation, Adoption, and Submittal of Implementation Plans).

Sincerely,

A handwritten signature in black ink, appearing to read 'R. A. Mann', with a stylized, flowing script.

Robert A. Mann

Director

Office of Air Regulatory Development

RAM\ram

TEMPLATES\SOURCE-SPECIFIC\PP03
SRCESPEC\MIRANT-EPA1.DOC

Enclosure

cc: District of Columbia Air Resources Management Division
Maryland Air and Radiation Management Administration
Fairfax County Air Pollution Control Division
City of Alexandria Health Department

PUBLIC HEARING NOTICE

The Department of Environmental Quality will hold a public hearing on a proposed revision to the Commonwealth of Virginia State Implementation Plan. The hearing will be held in the Lee Center, 1108 Jefferson Street, Alexandria, Virginia, at 7:30 p.m. on April 12, 2004, to accept testimony concerning the proposed revision. There will be a brief informational presentation and question period beginning at 6:30 p.m. Using the procedures explained below, the Department will also accept written comments until April 12, 2004.

In essence, the proposed revision consists of a state operating permit for the Mirant Mid-Atlantic, LLC (MIRANT), Potomac River Station located in the City of Alexandria, Virginia. It is an amended version of the permit that was issued to the Potomac Electric Power Company on September 18, 2000. It supersedes the permit issued on September 18, 2000.

The proposed permit is being issued as an administrative mechanism to enforce a control measure set forth in Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004. The control measure requires that emissions of oxides of nitrogen (NO_x) from the MIRANT facility not exceed 1019 tons during the ozone season (May - September). The air quality plan was prepared by the Metropolitan Washington Air Quality Committee (MWAQC), which consists of elected officials from the affected localities, and representatives of the state transportation and air quality management agencies.

The proposed permit is being issued pursuant to Article 5 (9 VAC 5-80-800 et seq.) of 9 VAC 5 Chapter 80 of state regulations and is state enforceable upon issuance. The proposed permit would limit MIRANT to that same total emissions for each future ozone season, beginning with year 2004. To achieve the limit, MIRANT may not utilize emissions trading and obtain credits for reductions at other facilities. The previous September 18, 2000 permit allowed the use of the emissions trading program under 9 VAC 5 Chapter 140 as an alternative compliance measure but included a reservation that the permit would be amended if the alternative compliance measure would prevent the attainment or maintenance of the air quality standards in the Washington, DC Ozone Nonattainment Area. If ownership of the facility changes, the new owner becomes subject to the permit.

Comments must be submitted according to the procedures specified in the next paragraph to be considered in the formation of the final SIP revision; however, questions may be directed to John R. McKie, Air Permit Writer, Northern Regional Office, Department of Environmental Quality, (email: jrmckie@deq.state.va.us) (phone: 703-583-3831) or Terry H. Darton, Air Permit Manager, Northern Regional Office, Department of Environmental Quality, (email: thdarton@deq.state.va.us) (phone: 703-583-3845).

All comments must be received by the Department by 5:00 p.m., April 12, 2004 to be considered. It is preferred that all comments be provided in writing, along with any supporting documents or exhibits; however, oral comments will be accepted at the hearing. Comments may be submitted by mail, facsimile transmission, email, or by personal appearance at the hearing, and must be submitted to Director, Office of Air Regulatory Development, Department of Environmental Quality, 629 East Main Street, P.O. Box 10009, Richmond, Virginia 23240 (fax: 804-698-4510, email: ramann@deq.state.va.us). Comments by facsimile transmission will be accepted only if followed by receipt of the original within one week. Comments by email will be accepted only if the name, address, and phone number of the commenter are included. All testimony, exhibits and documents received are matters of public record. The proposal and any supporting documents may be examined by the public at (1) the Northern Regional Office, Department of Environmental Quality, 13901 Crown Court, Woodbridge, Virginia, (703) 583-3800, (2) the Charles E. Beatley, Jr. Central Library, 5005 Duke Street, Alexandria, Virginia and (3) the DEQ Main Street Office, 8th Floor, 629 E. Main Street, Richmond, Virginia, (804) 698-4070, between 8:30 a.m. and 4:30 p.m. of each business day until the close of the public comment period.

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY
AIR DIVISION**

INTRA AGENCY MEMORANDUM

TO: Director, Northern Regional Office

FROM: R. A. Mann, Director
Office of Air Regulatory Development

SUBJECT: Public Hearing - SIP Revision Concerning Mirant Mid-Atlantic, LLC,
Potomac River Station located in the City of Alexandria, Virginia

DATE: March 11, 2004

As promised in my memorandum of March 9, 2004, attached you will find the proposed SIP revision for the forthcoming public hearing of April 12, 2004 and public comment period which ends on April 12, 2004. Please note that you must insert certain documents (available at the regional office) into the proposal package prior to viewing by the public.

Please note that a copy of the proposal must be maintained in the regional office and the Charles E. Beatley, Jr. Central Library, 5005 Duke Street, Alexandria, Virginia during the entire public comment period.

TEMPLATES\SOURCE-SPECIFIC\PP04
SRCESPEC\MIRANT-R7-2.DOC

Attachment

**COMMONWEALTH OF VIRGINIA
STATE IMPLEMENTATION PLAN REVISION
FOR
NORTHERN VIRGINIA OZONE NONATTAINMENT AREA**

**ATTAINMENT PLAN REQUIREMENTS
FOR
Mirant Mid-Atlantic, LLC
Potomac River Station**

One of the primary goals of the federal Clean Air Act (Act) is the attainment and maintenance of the National Ambient Air Quality Standards (NAAQS). These standards, designed to protect public health and welfare, apply to six pollutants, of which ozone is the primary focus of this proposed action. Ozone is formed when volatile organic compounds (VOCs) and nitrogen oxides (NO_x) in the air react together in the presence of sunlight. VOCs are chemicals contained in gasoline, polishes, paints, varnishes, cleaning fluids, inks, and other household and industrial products. NO_x emissions are a by-product from the combustion of fuels and industrial processes.

The one-hour National Ambient Air Quality Standard for ozone is 0.12 parts per million (ppm) and was established by the U.S. Environmental Protection Agency (EPA) to protect the health of the general public with an adequate margin of safety. When concentrations of ozone in the ambient air exceed the federal standard the area is considered to be out of compliance and is not meeting (attaining) the standard.

The Act sets forth air quality planning requirements for areas that do not attain the federal air quality standard for ozone (that is, nonattainment areas). The Act establishes a process for evaluating the air quality in each region and identifying and classifying each nonattainment area according to the severity of its air pollution problem. Nonattainment areas are classified as marginal, moderate, serious, severe and extreme. Marginal areas are subject to the least stringent requirements and each subsequent classification (or class) is subject to successively more stringent control measures. Areas in a higher classification of nonattainment must meet the mandates of the lower classifications plus the more stringent requirements of its own class.

Once the nonattainment areas were defined, each state is then obligated to submit a plan demonstrating how it will attain the air quality standard in each nonattainment area. First, the Act requires that certain specific control measures and other requirements be adopted and included in the plan. In addition, the state must demonstrate that it would achieve a VOC emission reduction of 15%. Finally, the plan must include an attainment demonstration by photochemical modeling (including annual emission reductions of 3% from 1996 to 1999) in addition to the 15% emission reduction demonstration. In cases where the specific control measures are inadequate to achieve the emission reductions or attain the air quality standard, the state is obligated to adopt other control measures as

necessary to achieve this end. Emission reductions of NO_x may be substituted for reductions of VOCs.

Failure to develop adequate plans to meet the ozone air quality standard: (i) will result in the continued violations of the standard, (ii) may result in assumption of air quality programs by EPA at which time the Commonwealth would lose authority over matters affecting its citizens, and (iii) may result in the implementation of sanctions by EPA, such as more restrictive requirements on new major industrial facilities and loss of federal funds for highway construction. Furthermore, if a particular area fails to attain the federal standard by the legislatively mandated attainment date, EPA is required to reassign it to the next higher classification level (denoting a worse air quality problem), thus subjecting the area to more stringent air pollution control requirements.

Numerous counties and cities within the Northern Virginia area have been identified as nonattainment for the one-hour ozone air quality standard in accordance with the Act. Although initially classified as serious, the Northern Virginia Ozone Nonattainment Area is now classified as severe because it failed to attain the one-hour ozone air quality standard by the legislatively mandated attainment date for serious areas.

Control of NO_x emissions from the Mirant Mid-Atlantic, LLC (MIRANT), Potomac River Station located in the City of Alexandria, Virginia has been identified as a control measure necessary for the attainment and maintenance of the ozone air quality standard in the Northern Virginia Area. The control measure is set forth in Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004. The control measure requires that emissions of oxides of nitrogen (NO_x) from the MIRANT facility not exceed 1019 tons during the ozone season (May - September).

A legally enforceable mechanism (permit) has been drafted to ensure compliance with the attainment plan requirements and is included as Attachment A. It is an amended version of the permit that was issued to the Potomac Electric Power Company on September 18, 2000. It supersedes the permit issued on September 18, 2000. Attachment B presents the statement of basis to support the terms and conditions of the permit for the control of NO_x emissions from the facility. The original September 18, 2000 permit is included as Attachment C.

The proposed permit is being issued pursuant to Article 5 (9 VAC 5-80-800 et seq.) of 9 VAC 5 Chapter 80 of state regulations and is state enforceable upon issuance. The proposed permit would limit MIRANT to that same total emissions for each future ozone season, beginning with year 2004. To comply with the limit, MIRANT may not utilize emissions trading and obtain credits for reductions at other facilities. The previous September 18, 2000 permit allowed the use of the emissions trading program under 9 VAC 5 Chapter 140 as an alternative compliance measure but included a reservation that the permit would be amended if the alternative compliance measure would prevent the attainment or maintenance of the air quality standard in the Washington, DC Ozone Nonattainment Area. If ownership of the facility changes, the new owner becomes

subject to the permit.

TEMPLATES\RACT\PLN01
SRCESPEC\MIRANT-ROP.DOC

**LEGALLY ENFORCEABLE MECHANISM (PERMIT)
TO ENSURE COMPLIANCE WITH ATTAINMENT PLAN REQUIREMENTS
FOR**

Mirant Mid-Atlantic, LLC
Potomac River Electric Power Generating Station
1400 N. Royal Street
Alexandria, Virginia
Registration No. 70228

Date

Mr. Wesley L. McNealy
Director of Environmental, Safety and Health
Mirant Mid-Atlantic, LLC
901 F Street NW, Suite 800
Washington, D.C. 20004

Location: City of Alexandria
Registration No: 70228
County-Plant No: 510-0003

Dear Mr. McNealy:

Attached is a permit that authorizes Mirant Mid-Atlantic, LLC (Mirant) to operate an electric power generating station in accordance with the provisions of the Commonwealth of Virginia State Air Pollution Control Board Regulations for the Control and Abatement of Air Pollution. It is an amended version of the permit that was issued to the Potomac Electric Power Company (PEPCO) on September 18, 2000. It supersedes the permit issued on September 18, 2000. This permit is issued for the purpose of complying with the requirements of Section 110 of the federal Clean Air Act (CAA) pertaining to the attainment and maintenance of the ozone air quality standard. Section 110 (a)(1) of the CAA states that each state shall submit to the U.S. Environmental Protection Agency (EPA) a plan (State Implementation Plan) which implements, maintains, and enforces each primary and secondary national ambient air quality standard. Section 110 (a)(2) of the CAA requires the SIP to contain enforceable emission limitations and control measures. This permit provides the means to enforce the control measures set forth in Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004.

The permit will ensure that the generation station will not contribute to nonattainment, or interfere with maintenance of the national ambient air quality standard (for ozone). The facility-wide oxides of nitrogen (NO_x) emission limit prescribed in this permit is the same as the total NO_x allowances allocated to the individual units under the provisions of 9 VAC 5 Chapter 140 approved into the SIP on July 8, 2003 (68 FR 40520). However, compliance with this permit is not to be construed as compliance with the requirements of other state or federal rules and regulations, including, but not limited to, 9 VAC 5 Chapter 140 or the requirements prescribed in 9 VAC 5-40

DRAFT (March 2, 2004)

300 and 9 VAC 5-40-310 to apply Reasonably Available Control Technology (RACT). Except to the extent that conditions may be more stringent, this permit does not supersede or replace any other valid permit, except the September 18, 2000 permit it amends. Furthermore, this approval to operate shall not relieve Mirant of the responsibility to comply with all other local, state, and federal permit regulations.

Failure by Mirant to comply with any of the conditions of this permit shall constitute a violation of a Permit of the Board. Failure to comply may result in a Notice of Violation and civil penalty. Please read all permit conditions carefully.

At any time in the future, should Mirant plan any modifications (within the context of the new source review program) of the facility covered by this permit, Mirant shall have the right to apply to the Board for a new source review permit and the Board may consent to such modifications provided such modifications will meet all of the new source review permit program regulatory requirements in existence at that time.

9 VAC 5-170-200 of the Board's Regulations provides that you may request a formal hearing from this case decision by filing a petition with the Board within 30 days after this case decision notice was mailed or delivered to you. Please consult the relevant regulations for additional requirements for such requests.

Additionally, as provided by Rule 2A: 2 of the Supreme Court of Virginia, you have 30 days from the date you actually received this permit or the date on which it was mailed to you, whichever occurred first, within which to initiate an appeal to court by filing a Notice of Appeal with:

Robert G. Burnley, Director
Department of Environmental Quality
P.O. Box 10009
Richmond, Virginia 23240-0009

In the event that you receive this permit by mail, three days are added to the period in which to file an appeal. Please refer to Part Two A of the Rules of the Supreme Court of Virginia for additional information including filing dates and the required content of the Notice of Appeal.

If you have any questions concerning this permit, please call the regional office at (703) 583-3840.

Sincerely,

Jeffery A. Steers
Regional Director

JAS/THD/JRM/jrm File: MIRANT-SOP-DRAFT-REVISED_03-02-04.DOC

Attachment: Permit

cc: Director, OAPP (electronic file submission)
Manager, Data Analysis (electronic file submission)

COMMONWEALTH OF VIRGINIA OPERATING PERMIT

STATIONARY SOURCE PERMIT TO OPERATE

In compliance with the Federal Clean Air Act and the Commonwealth of Virginia Regulations for the Control and Abatement of Air Pollution,

Mirant Mid-Atlantic, LLC
901 F Street NW, Suite 800, Washington, DC 20004
Registration No. 70228
County-Plant No. 510-0003

is authorized to operate

an electric power generating station

located at

1400 N. Royal Street
Alexandria, Virginia

in accordance with the Conditions of this permit and all other applicable permits and regulations of the State Air Pollution Control Board.

Approved on _____.

Robert G. Burnley
Director

Permit consists of 4 pages.
Permit Conditions 1 to 11.

PURPOSE

This permit is issued for the purpose of complying with the requirements of Section 110 (a)(1) of the federal Clean Air Act (CAA) pertaining to the attainment and maintenance of the ozone air quality standard. Section 110 (a)(1) of the CAA states that each state shall submit to the U.S. Environmental Protection Agency (EPA) a plan (State Implementation Plan) which implements, maintains, and enforces each primary and secondary national ambient air quality standard. Section 110 (a)(2) of the CAA requires the SIP to contain enforceable emission limitations and control measures. This permit provides the means to enforce the control measures set forth in Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004.

PERMIT CONDITIONS - the regulatory reference and authority for the condition is listed in parentheses after each condition.

1. The equipment to which this permit applies is the following emissions units:
 - two coal-fired Combustion Engineering boilers (C101 and C201)*, rated at 970.1×10^6 Btu/hr heat input each;
 - three coal-fired Combustion Engineering boilers (C301, C401 and C501)*, rated at 960.7×10^6 Btu/hr heat input each

*Identifying codes for boilers are from the federal operating permit (□Title V□) application dated January 6, 1998.
2. During each ozone season (May 1 through September 30) following the issuance of this amended permit, the emission units to which this permit applies in combination shall not emit more than 1019 tons of oxides of nitrogen (measured as NO₂).
(9 VAC 5-80-800 C.2.b of State Regulations)
3. Compliance with the emission limit in Condition 2 shall be demonstrated by continuous emissions monitoring of the NO_x from each unit. For purposes of determining compliance with the emissions limit in Condition 2, credits for emission reductions at other facilities shall not be considered in determining compliance with the emissions limit for the Potomac River Generating Station.
(9 VAC 5-80-890 and 9 VAC 5-80-800 C.2.b of State Regulations)
4. A report presenting the results of the NO_x monitoring for each ozone season shall be submitted to the Department of Environmental Quality (DEQ) Regional Office on or before October 30 of the same year. The details of the monitoring, record keeping and reporting shall be prescribed by DEQ within 60 days following the issuance of this permit and shall be incorporated into the Title V permit. The details may be the same as prescribed by DEQ following the original issuance of this

permit on September 18, 2000, revised as necessary to accommodate the amendments to this permit. Regardless of the previous arrangements for the monitoring, record keeping, and reporting, the permittee may propose details of the monitoring, record keeping and reporting to DEQ before DEQ fulfills the requirement to prescribe them within 60 days.

(9 VAC 5-80-890 and 9 VAC 5-80-900 of State Regulations)

5. The records kept by the permittee to comply with Condition 4 shall be available on site for inspection by the DEQ and shall be current for at least the most recent five years.
(9 VAC 5-80-900 and 9 VAC 5-80-110 F.1.b. of State Regulations)
6. In the event of any change in control or ownership of the permitted source, the permittee shall notify the succeeding owner of the existence of this permit by letter and send a copy of that letter to the DEQ Regional Compliance Manager.
(9 VAC 5-80-940 of State Regulations)
7. A copy of this permit shall be maintained on the premises of the facility to which it applies.
(9 VAC 5-80-860 of State Regulations)
8. Except to the extent that conditions in this permit may be more stringent, this permit does not supersede or replace any other valid permit, regulatory or statutory requirement, including, but not limited to, any instrument to implement the Reasonably Available Control Technology (RACT) provisions of 9 VAC 5-40-300 and 9 VAC 5-40-310. Furthermore, this approval to operate shall not relieve Mirant of the responsibility to comply with all other local, state and federal regulations, including permit regulations.
9. Once the permit is approved by the U.S. Environmental Protection Agency into the Commonwealth of Virginia State Implementation Plan, the permit is enforceable by EPA and citizens under the federal Clean Air Act.
10. The Board may modify, rewrite, or amend this permit with the consent of Mirant, for good cause shown by Mirant, or on its own motion provided approval of the changes is accomplished in accordance with Regulations of the Board and the Administrative Process Act (§ 2.2-4000 et seq.); however, such changes shall not be effective under the federal Clean Air Act until the changes are approved following the requirements of 40 CFR Part 51 (Requirements for Preparation, Adoption, and Submittal of Implementation Plans).

11. Failure by Mirant to comply with any of the conditions of this permit shall constitute a violation of a Permit of the Board. Failure to comply may result in a Notice of Violation and civil penalty. Nothing herein shall waive the initiation of appropriate enforcement actions or the issuance of orders as appropriate by the Board as a result of such violations. Nothing herein shall affect appropriate enforcement actions by any other federal, state, or local regulatory authority.

**STATEMENT OF BASIS FOR
PERMIT TERMS AND CONDITIONS
FOR THE CONTROL OF NO_x EMISSIONS
FROM**

Mirant Mid-Atlantic, LLC
Potomac River Electric Power Generating Station
1400 N. Royal Street
Alexandria, Virginia
Registration No. 70228

**COMMONWEALTH OF VIRGINIA
DEPARTMENT OF ENVIRONMENTAL QUALITY**

STATEMENT OF BASIS

Of the
State Operating Permit for the
Mirant Mid-Atlantic, LLC
Potomac River Generating Station

To Implement the NO_x Emission Reductions of the
Attainment Plan for
The Northern Virginia Nonattainment Area

By John R. McKie, PE

Last revised March 3, 2004

Background

One of the primary goals of the federal Clean Air Act (Act) is the attainment and maintenance of the National Ambient Air Quality Standards (NAAQS). These standards, designed to protect public health and welfare, apply to six pollutants, of which ozone is the primary focus of this proposed action. Ozone is formed when volatile organic compounds (VOCs) and nitrogen oxides (NO_x) in the air react together in the presence of sunlight. NO_x emissions are a by-product from the combustion of fuels and industrial processes.

The one hour National Ambient Air Quality Standard for ozone is 0.12 parts per million (ppm) and was established by the U.S. Environmental Protection Agency (EPA) to protect the health of the general public with an adequate margin of safety. When concentrations of ozone in the ambient air exceed the federal standard the area is considered to be out of compliance and is classified as "nonattainment." Numerous counties and cities, including Alexandria, within the Northern Virginia area have been identified as ozone nonattainment areas as required by the Act.

Virginia is required by the Act to develop plans to ensure that areas will come into compliance with the federal ozone ambient air quality standard. Failure to develop adequate programs to meet the ozone air quality standard: (i) will result in the continued violations of the standard, (ii) may result in assumption of the program by EPA at which time the Commonwealth would lose authority over matters affecting its citizens, and (iii) may result in the implementation of sanctions by EPA, such as more restrictive requirements on new major industrial facilities and loss of federal funds for highway construction. Furthermore, if a particular area fails to attain the federal standard by the legislatively mandated attainment date, EPA is required to reassign it to the next higher

classification level (denoting a worse air quality problem), thus subjecting the area to more stringent air pollution control requirements.

The Act establishes a process for evaluating the air quality in each region and identifying and classifying each nonattainment area according to the severity of its air pollution problem. Nonattainment areas are classified as marginal, moderate, serious, severe and extreme. Marginal areas are subject to the least stringent requirements and each subsequent classification (or class) is subject to successively more stringent control measures. Areas in a higher classification of nonattainment must meet the mandates of the lower classifications plus the more stringent requirements of its own class. The Northern Virginia Ozone Nonattainment Area is classified as severe.

Once the nonattainment areas are defined, each state is then obligated to submit a plan demonstrating how it will attain the air quality standard in each nonattainment area. The Act requires that certain specific control measures and other requirements be adopted and included in the plan. The plan must include an attainment demonstration by photochemical modeling including annual emission reductions of 3% from 1996 to 2005.

Control of NO_x emissions from the Mirant Mid-Atlantic, LLC (MIRANT), Potomac River Station located in the City of Alexandria, Virginia has been identified as a control measure necessary for the attainment and maintenance of the ozone air quality standard in the Northern Virginia Area in the following SIP documents: 1) SIP Rate of Progress Demonstration Plan for the Washington, DC-MD-VA Region dated August 13, 2003 and submitted to EPA as a SIP revision on August 19, 2003; and 2) Section 7.2.9 of the Plan to Improve Air Quality in the Washington, DC-MD-VA Region (Severe Area SIP), dated February 19, 2004, and submitted to EPA as a SIP revision on February 25, 2004. The control measure requires that emissions of oxides of nitrogen (NO_x) from the MIRANT facility not exceed 1019 tons during the ozone season (May - September).

Implementation

The instrument that the Virginia Department of Environmental Quality (DEQ) has chosen to enforce this measure is a state-operating permit. The proposed permit is being issued pursuant to Article 5 (9 VAC 5-80-800 et seq.) of 9 VAC 5 Chapter 80 of the State Air Pollution Control Board's (SAPCB) Regulations for the Control and Abatement of Air Pollution (Regulations) and is state enforceable upon issuance. The proposed permit would limit MIRANT to the same total emissions of 1019 tons for each future ozone season, beginning with year 2004. To comply with the limit, MIRANT may not utilize emissions trading and obtain credit for reductions at other facilities. The proposed permit is an amended version of the permit that was issued to the Potomac Electric Power Company (PEPCO) on September 18, 2000. It supersedes the permit issued on September 18, 2000. The September 18, 2000, permit allowed the use of the emissions trading program under 9 VAC 5 Chapter 140 as an alternative compliance measure but included a reservation that the permit would be amended if the alternative compliance measure would prevent the attainment or maintenance of the air quality standard in the Northern Virginia Ozone Nonattainment Area.

The SAPCB Regulation 9 VAC 5-80-800 C.2.b. allows the use of a state operating permit to “establish a source-specific emission standard or other requirements necessary to implement the federal Clean Air Act or the Virginia Air Pollution Control Law.” A permit issued for this reason requires no application. This proposed state operating permit contains no provisions other than those relevant to the ozone attainment plan. Eventually, the conditions of the state operating permit will be rolled into the Mirant federal operating (“Title V”) permit.

Issuance of a state operating permit can occur without public participation; however, a revision of the SIP cannot. The September 18, 2000, permit was issued as an implementation tool for the Northern Virginia ozone attainment plan. Before the permit was issued, the draft permit was subjected to public comment. The current permit is an amendment to the September 18, 2000, permit and is also being subjected to public comment. Following consideration by DEQ of the comments received, the amended permit will be revised if warranted and issued. The final amended permit and supporting documentation will be forwarded to EPA for final approval as satisfactory to implement the attainment plan. Compliance with the original permit was required for the 2003 ozone season and Mirant will be expected to comply with the amended permit as soon as it can be legally effective or May 1, 2004, whichever is later.

Permit Contents

PURPOSE – The purpose and regulatory grounds for this state operating permit are presented in this section of the permit. The Clean Air Act citation given is the basis for EPA requiring that Virginia submit an ozone attainment plan. This state operating permit is the means of enforcing the relevant portion of the attainment plan. The authority to issue a state operating permit to establish a source-specific emission standard or other requirements necessary to implement the federal Clean Air Act is given at 9 VAC 5-80-800.

PERMIT CONDITIONS

Condition
Number

1. Specifies the emitting units to which the permit conditions apply. In this case, the units are all of the boilers supplying steam for electric power generation.
2. Sets the NO_x emission limit for the facility and the period during which it applies. The limit is a cap on the total emissions, determined by summing the individual unit allowances under the emissions trading program set forth in 9 VAC 5 Chapter 140. Establishing a cap consistent with 9 VAC 5 Chapter 140 was done to minimize overall regulatory complexity; however, use of any trading program to comply with the cap in the permit is prohibited (see condition 3). The limit, therefore, satisfies the ozone attainment plan requirements. The limit is only in effect during the ozone season as provided in the attainment plan.
3. States compliance will be determined by continuous emissions monitoring. Mirant already has continuous emissions monitors (CEM's) for purposes of determining compliance with acid rain and reasonably available control technology (RACT) provisions of the Clean Air Act. The condition also stipulates that emission reductions at other facilities cannot be substituted for reductions actually achieved at the Potomac River Generating Station in order to comply with the NO_x emissions limit set in the previous condition.
4. Covers monitoring, record keeping, and reporting requirements. Details of these are to be set by DEQ within 60 days following issuance of the permit. It is desirable not to set details of the compliance verification in this permit, so that DEQ may minimize the administrative burden and time requirements of subsequently improving the compliance methodology, if desired. Mirant will have the opportunity to provide input to DEQ regarding setting the requirements.
5. Specifies duration of records retention. The state operating permit rule allows DEQ to require retention for three or more years. Because the Title V rule, to which this facility is subject, requires at least five years of retention, this permit also requires five years.
6. Requires that Mirant notifies any new owner of the facility about this permit and sends a copy of the notice to DEQ. DEQ would then make the necessary administrative amendments to the permit to show that it is transferred to the new owner.
7. States that a copy of the permit must remain on the premises. Besides being a regulatory requirement, it serves as a reminder to the facility staff of its obligations under the attainment plan as well as assuring the availability of inspection of the permit by DEQ personnel and others.
8. States that this permit does not supersede any permit or regulations, except the permit it amends. The purpose of this permit is strictly for implementation of

requirements in the revised ozone attainment plan relevant to the Potomac River Generating Station. As such, it is not intended to be a general permit for the facility. All other applicable requirements under any jurisdictional authority (whether in permits or regulations) still apply.

9. Relates to the permittee the statutory provisions that govern of how the permit will become federally enforceable as provided in federal statutes. It will be state-enforceable upon issuance.
10. Relates to the permittee the procedures for amendment of the permit within the context of state and federal statutory provisions.
11. Reminds the permittee that (as prescribed by the Air Pollution Control Law of Virginia) failure to comply with permit conditions is subject to a Notice of Violation and civil penalty.

**ORIGINAL SEPTEMBER 18, 2000 PERMIT
FOR THE CONTROL OF NO_x EMISSIONS
FROM**

Potomac Electric Power Company
Potomac River Electric Power Generating Station
1400 N. Royal Street
Alexandria, Virginia
Registration No. 70228